

Business Issues

Florida House of Representatives

Third Annual Pre-Session Press Information Session

November 3, 2011

Business Issues Discussed During the 2011 Legislative Session

- Economic Development Reorganization
- Unemployment Compensation Program
- Deregulation of Businesses and Professions

Economic Development Reorganization

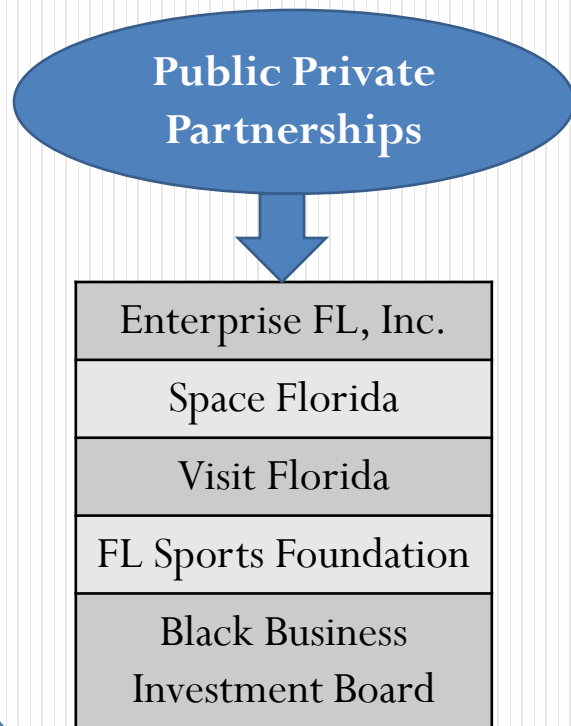
Economic Development Reorganization

Why Reorganize?

- Provide a single point of contact
- Improve coordination in business recruitment, retention and growth efforts
- Eliminate duplication
- Streamline permitting and approval processes
- Provide greater flexibility

Economic Development Reorganization

Old Structure Created Silos



State Agencies		
OTTED	AWI	DCA
Economic Development Programs and Projects	Workforce FL, Inc.	Community Planning
	Unemployment Compensation	Housing and Community Development
	Early Learning	Florida Housing Finance Corp.
	Workforce Services	Emergency Management
		Building Code Commission

Economic Development Reorganization

Unified Approach to Maximize Resources

Governor of Florida

Chair, Enterprise FL, Inc.

“Chief Economic Development Officer”

Enterprise
Florida,
Inc.

Workforce
Florida,
Inc.

Department
of Economic
Opportunity

Economic Development Reorganization

Implementation Status/Major Milestones:

Department of Economic Opportunity-

- ✓ ■ August 15, 2011 - Transition Report
- ✓ ■ September 1, 2011-Business Plan submitted to the Legislature
- ✓ ■ September 7, 2011-Legislative Budget Commission approved reorganization amendment
- ✓ ■ October 1, 2011-DEO began operation as new entity
- January 1, 2012 - Recommendations for further streamlining and reorganization
- April 29, 2012 – 5-Year Strategic Plan
- January 1 annually - Report on business climate and economic development
- July 1, 2016 - Agency Sunset Review
- December 31, 2016 - OPPAGA review of agency

Economic Development Reorganization

Implementation Status/Major Milestones:

Enterprise Florida, Inc.-

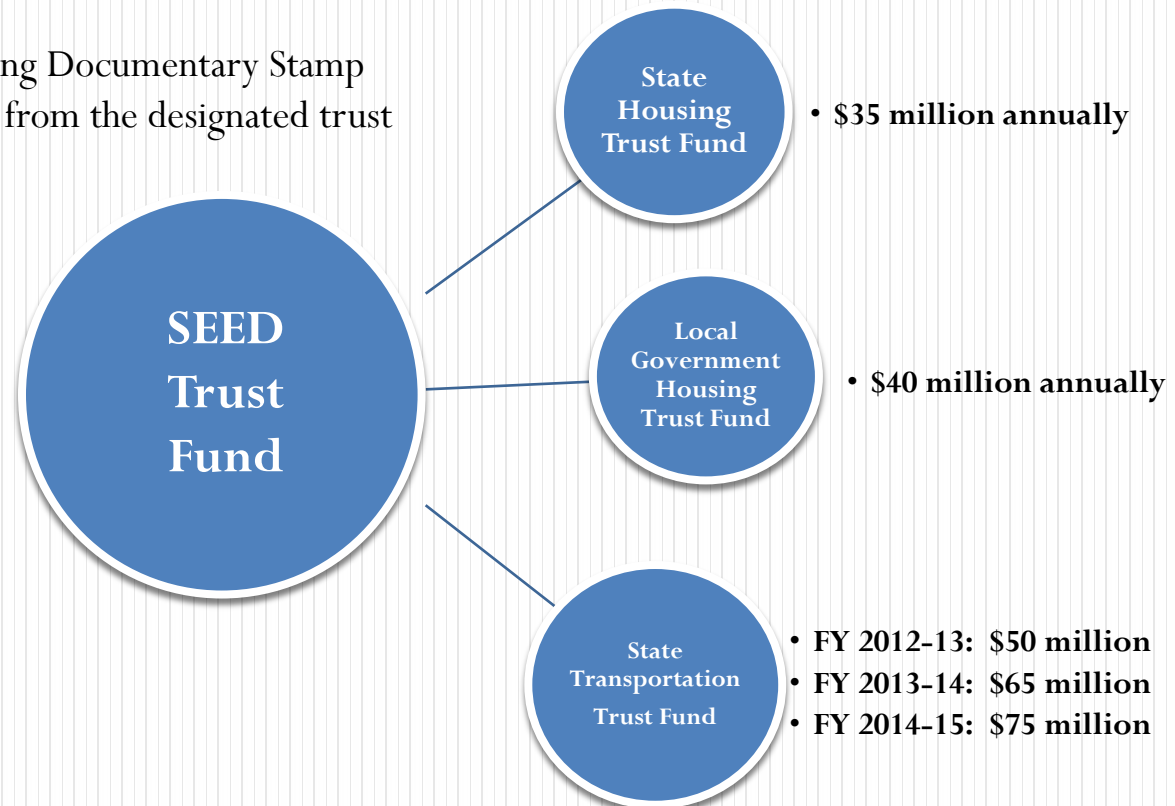
- ✓ ■ September 30, 2011 - Inventory of communities seeking to recruit businesses due to EFI
- ✓ ■ December 31, 2011 - Merger of public private partnerships, Black Business Investment Board and Florida Sports Foundation
- October 15 annually- Divisions report activities to the EFI Board of Directors
- December 1 annually - Report to the Legislature on operations and accomplishments
- December 30 annually – Report to the Legislature on incentives quantifying the economic benefits for all economic development incentive programs

Economic Development Reorganization

State Economic Enhancement and Development (SEED) Trust Fund:

The SEED Trust Fund will be used for strategic transportation investments, affordable housing programs, economic development incentives for job creation, workforce training as well as tourism promotion and marketing services.

Beginning in FY 2012-13, existing Documentary Stamp Tax proceeds will be redirected from the designated trust funds to the SEED Trust Fund.



Unemployment Compensation Program

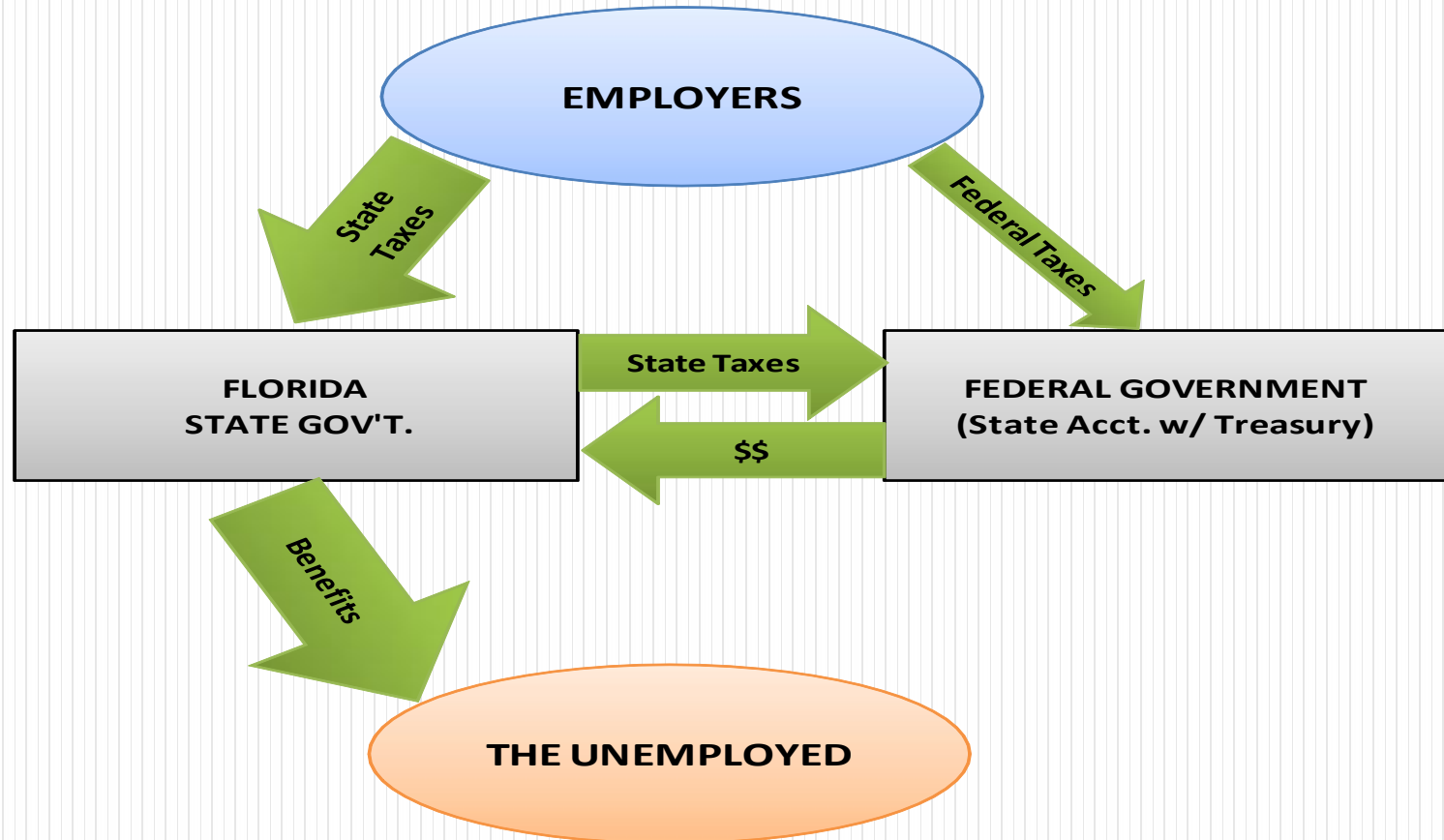
Unemployment Compensation Program

Basic Structure

- **Federal-State Partnership** based on federal law.
 - Administered by states under state law
- **Purpose of the System:**
 - ❖ Provide benefits for eligible individuals who are unemployed
 - ❖ Economic Stabilization

Unemployment Compensation Program

Basic Structure



Unemployment Compensation Program

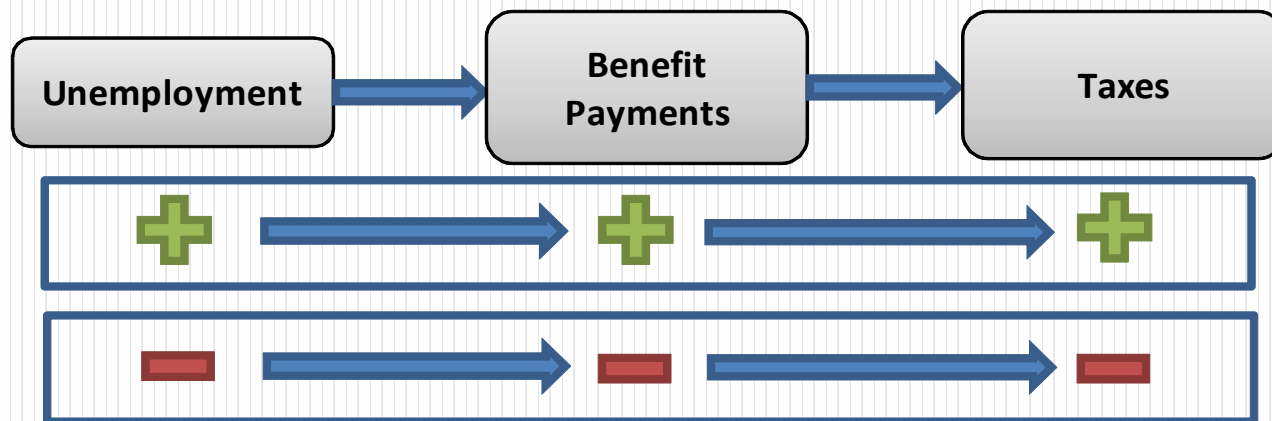
Basic Structure

- Payments of State Taxes are deposited into a special account in the Federal Treasury
- If state Trust Fund runs out of money Federal Gov't will make loans to the fund
- Department of Economic Opportunity administers in Florida
 - ❖ Dept. of Revenue provides unemployment tax collection services

Unemployment Compensation Program

Basic Structure

- System responds to changing economic conditions
- State taxes depend on unemployment benefits paid in prior periods



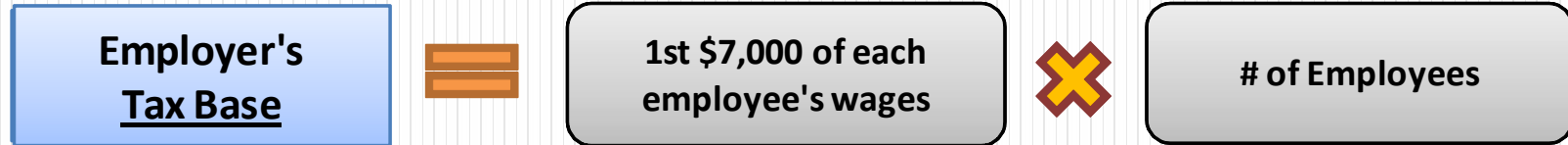
Unemployment Compensation Program

Basic Structure

- Florida employers pay two distinct taxes:
 - State Tax pays for:
 - U.C. benefits to unemployed Floridians
- Federal Tax pays for:
 - Cost of administration
 - Advances to Insolvent State Trust Funds
 - Some Extended Unemployment Benefits
 - Supplemental Programs

Unemployment Compensation Program

The State Tax (= Tax Base x Tax Rate)



■ Tax Rates:

- Specific to each employer
- Automatically recalculated each year
- Rates range between calculated minimum (no less than 0.1%) and the statutory maximum rate (5.4%)
- There are some exceptions
- New employers (with no experience) get an “initial” rate (2.7%)

Unemployment Compensation Program

What's Happened Over the Past 3 Years?

2009

- **Statutory changes were made to avoid or minimize potential trust fund insolvency:**
 - Increased the portion of an individual's wages subject to an employer's contributions from \$7,000 to \$8,500 until January 2015.
 - Increased the positive fund balance adjustment factor (low trigger) from 3.7 % of taxable payrolls to 4% and increased the high trigger from 4% to 5%.
 - Shortened the trust fund recoupment period from 4 years to 3 years until January 2015.
- **State Trust Fund balance fell to \$0 in August 2009.**
- **Florida began borrowing from the Federal Government to pay benefits.**

Unemployment Compensation Program

What's Happened Over the Past 3 Years?

2010

- **Insolvent trust fund together with 2009 statutory changes led to significant tax increases:**
 - Minimum state tax: Increased from \$8.40 to \$100.30 per employee
 - Maximum state tax: Increased from \$378 to \$459 per employee

- **Statutory changes made to slow down tax increase on businesses until the economy was on better footing:**
 - Suspended the fund balance adjustment factor (trigger) until 2012.
 - Delayed per employee tax base increase to \$8,500 until 2012.
 - Resulted in tax relief for 2010: Minimum State Tax: \$25.20 per employee; Maximum State Tax remained at \$378 per employee
 - Allowed employers to pay taxes in installments during tax years 2010 and 2011.
 - Authorized an assessment on businesses, in addition to the tax, to pay interest on Federal advances to the Trust Fund.

Unemployment Compensation Program

What's Happened Over the Past 3 Years?

2011

- 2011 taxes for minimum rate payers increased to \$72.10 per employee
- Interest on outstanding federal loan was due September 2011-\$56.1 million
- Statutory changes were made to address long-term reform:
 - Established an effective date of January 1, 2012, for reducing the number of available state benefit weeks from 26 to 23, and linked number of weeks eligible to unemployment rate.
 - Revised legal standard for determining employee misconduct and expanded when an employee is disqualified from benefits related to committing a crime.
 - Required a claimant to complete an initial skills review through an online education or training program once he or she is found eligible for state benefits.
 - Required a claimant to actively seek employment through at least five work search activities a week or report in-person to a One-Stop Career Center to meet with a representative for reemployment services each week in order to receive state benefits.
- Reduced employer tax rates beginning 2012 by revising their benefit ratio calculation downward 10%.

Unemployment Compensation Program

Current Trust Fund Status and Projections for 2012

- **Federal loans to date - \$2.4 billion**
- **Outstanding balance to date - \$1.7 billion**
- **Interest paid as of September 30, 2011 - \$56.1 million (through employer assessments - \$9.51 per employee)**
 - Interest on advances accrued since the September 30, 2011 payment is \$4.9M. Interest will continue to accrue on the outstanding balance throughout the federal fiscal year, until it comes due again in September 2012.
- **Continued borrowing from the Federal Government is projected through March 2012.**

Unemployment Compensation Program

Projected Tax Increases for 2012

- Minimum state tax is projected to increase from \$72.10 to \$170 per employee.
- Initial state tax for new businesses is projected to increase from \$189 to \$229.50 per employee.
- Maximum state tax is projected to increase from \$378 to \$459 per employee.
- If Florida has outstanding loans after Nov. 10, 2011, employers will lose .3% of the Federal tax credit and an additional .3% each year thereafter as long as loans are outstanding. Revenues derived from the additional federal taxes paid are used to repay federal loans.

Deregulation of Businesses and Professions

Deregulation of Businesses and Professions

Goal:

Eliminate unnecessary burdensome obstacles for businesses and establish a business climate that inspires entrepreneurs, empowers the private sector to create jobs, and provides greater freedom to citizens, while protecting the public from imminent threat.

Deregulation of Businesses and Professions

Florida's Regulated Industries:

Florida currently regulates nearly 2 million professionals and businesses across more than 200 licensee and registration categories.

Deregulation of Businesses and Professions

2011 Legislative Actions:

- During the 2011 Legislative Session, the Business and Consumer Affairs Subcommittee noticed two bills.
 - The first bill proposed to repeal licensing and examination requirements and penalties for specified professions, occupations and businesses currently regulated by the state.
 - The second bill proposed to reduce and streamline regulatory requirements for professions and businesses.

Deregulation of Businesses and Professions

2011 Legislative Actions:

- **CS/HB 5005 and CS/HB 5007 process development:**
 - In January 2011, the House Business and Consumer Affairs Subcommittee began an in depth review and analysis of the state's regulated professions and businesses.
 - The Subcommittee developed specific criteria to guide this effort.
 - Overall, the House held 6 meetings to consider the issues and hear from the public.
 - Ultimately, CS/HB 5005 and CS/HB 5007 were the product of a Legislative Conference Committee.

Deregulation of Businesses and Professions

Review of Regulations-Criteria:

- Whether the regulated practice of the profession or occupation is indispensable to public health or safety?
- Whether there had been significant disciplinary actions taken that were primarily the result of consumer complaints related to health or safety violations?
- Whether the license/registration requires an examination or continuing education courses?
- Whether the regulations are primarily designed to benefit the regulated entity by limiting competition?
- Whether the regulated profession or occupation is regulated by other entities?
- Whether the consumer could be protected by other means such as contractual obligations or federal requirements and penalties for non-compliance?

Deregulation of Businesses and Professions

CS/HB 5005 Highlights:

As adopted by the Legislative Conference Committee, the conference report would have deregulated:

- Auctioneer Apprentices
- Sellers of Business Opportunities
- Hair Braiders
- Hair Wrappers
- Body Wrappers
- Interior Designers
- Rooming Houses
- Television Picture Tubes (*passed as CS/HB 4013*)
- Sales representative Contracts (*passed as HB 4023*)
- Outdoor Theatres (*passed as HB 4009*)

Deregulation of Businesses and Professions

CS/HB 5007 Highlights:

As adopted by the Legislative Conference Committee, the conference report would have reduced and streamlined regulations:

- Authorized fee waivers for financial hardship or because of errors caused by DBPR.
- Limited continuing education requirements to reactivate a license to one cycle.
- Decriminalized administrative rule violations.
- Eliminated dual licensure of certain sole proprietors (Asbestos Consultants and Contractors, and Architects).
- Increased reciprocity for out-of-state accountants with 5 years experience.
- Consolidated oversight of the Lemon Law and Price Gouging programs. *(passed as part of CS/HB 7209)*
- Created the “Cottage Food Act” to provide an exemption for the direct sale of homemade foods, such as bake sale items, to consumers. *(passed as part of CS/HB 7209)*

Deregulation of Businesses and Professions

CS/HB 5005 and CS/HB 5007 Fiscal/Economic Impacts:

Impacts to businesses and professionals:

- CS/HB 5005 would have reduced fees to over 12,000 businesses and professionals by about \$2.3 million.
- CS/HB 5007 would have reduced regulatory requirements through its streamlining efforts on about 50,000 licensees.

Business Issues

QUESTIONS?

- **Teresa Tinker, Staff Director, Economic Affairs Committee**
- **Sherri Croom, Deputy Staff Director, Economic Affairs Committee**
- **Teddi Creamer, Policy Chief, Business and Consumer Affairs Subcommittee**